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NEA FOR FO; S/P FOR DEATHERAGE AND JAIN

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SUBJECT: MFA ADVISOR AND PDAS FELTMAN DISCUSS REGIONAL ISSUES

REF: A. CAIRO 1543

1B. CAIRO 2197

Classified By: Deputy Chief of Mission Matthew Tueller

Reasons: 1.4 (B) and (D)

¶11. (C) Summary: NEA PDAS Feltman and MFA Senior Advisor Hossam Zaki discussed the Israeli-Palestinian conflict, Lebanon, Syria, Iran, the global financial crisis, and Iraqi debt relief during an October 26 meeting in Cairo. Zaki said that recording progress on Israeli-Palestinian negotiations is critical to preventing a collapse of talks and a new intifada similar to the one which broke out in September 2000. He said that GOE contact with Hizballah is limited, but reflects the reality of Hizballah's political power. Zaki believes increased USG contact with Damascus is inevitable, and assessed that this would make both Hizballah and the March 14 Lebanon majority "jittery." He said that Egypt would not elevate relations with Iran until security and symbolic political issues are addressed, but opined that Egyptian outreach to Tehran could potentially help Iranian moderates. Zaki claimed that Iraq was to blame for lack of progress on debt relief talks, and argued that Egypt should be involved in international consultations to address the global financial crisis. End summary.

Lebanon

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¶12. (C) PDAS Feltman said that while there has been progress in Lebanon, we are watching two issues with some concern. First, it appears some in the Lebanese opposition are failing to adhere to the terms of the "Doha agreement." Deputy Prime Minister Abu Jamra, for example, recently pulled out of the government. Second, we need to pay attention to who is funding whom in Northern Lebanon. We are not as alarmed as some of the March 14 leadership, but we are watching. Zaki agreed that these issues merit observation. "The north is precarious," he said, and it is hard to follow the funding. The Syrians may be involved, Zaki opined, which would put them in a "very dangerous game." He thought that an increased presence of the Lebanese Armed Forces (LAF) in the north would help. As for the resignation of Abu Jamra, Zaki dismissed it as theatrics by an irrelevant and weak man.

¶13. (C) Both agreed that the Christians are critical to the outcome of the 2009 parliamentary elections. Zaki said that the situation was similar to that of 1975-1976, during which Lebanese Christians allied with the Allawi regime in Syria to counter perceived Sunni political preponderance. "The results were dramatic," Zaki said. Today, he assessed that "sensible Christians" see the danger of Michel Aoun's

maneuvering with the Shia, and worry "about a disaster coming." It is critical, Zaki said, that Lebanese Christians realize that Aoun's efforts at a Shia alliance will hurt them and their country. Zaki added that the Egyptians received Samir Geagea and Walid Jumblatt in October. "Geagea has his past," Zaki said, but he has changed his approach entirely from the days of war. He has adopted a new, inclusive approach, that Lebanon is part of the region and Arab world. For this reason, Zaki said that President Mubarak had agreed to receive Geagea (the same day that Aoun was received in Tehran, Zaki noted), as well as Jumblatt (separately). Additionally, Mubarak will receive President Sleiman on November 8, and Saad Hariri later in November.

¶4. (C) PDAS Feltman said that these meetings would be noticed in Lebanon. He noted that our military assistance to Lebanon should help to assuage Christian concerns, given their integration in the LAF. Zaki asked what sort of weapons systems we intended to provide the LAF. PDAS Feltman said that we are seeking \$400 million in appropriations, with a focus on secure communications equipment, but the package may include a range of equipment, such as helicopters. A lot will depend on the level of Congressional support. Zaki said that supporting the LAF is critical, noting that the Egyptian military had supplied munitions to the LAF during its 2007 operation at Nahr al Bared refugee camp. "You need to convince Congress that the LAF was 'emptied' following Syria's withdrawal from Lebanon," Zaki argued.

¶5. (C) PDAS Feltman asked Zaki about Egypt's current approach to Hizballah. Zaki said that the GOE has realized over the

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past year that Hizballah is the most powerful political player in Lebanon. "They can enforce their will on the ground if need be. This made us think. Should we continue to boycott Hizballah? Or should we have a preliminary dialogue with them," he said. Opening a channel might be useful in the event of another Lebanese political crisis. For this reason, Zaki said that the Egyptians had recently met with Mohammad Fneish, Labor Minister and Hizballah MP. "We had a very frank conversation. He tried to convince us of Hizballah's intentions this past May. We were not convinced, and we clarified that Egypt has never supported a sectarian approach." Zaki said that Fneish had argued that Hizballah is legitimate resistance to Israel, and complained that the Shia had been historically disadvantaged in Lebanon. Fneish was adamant that Hizballah would not cede Shia political gains. Zaki observed that in the last two years Hizballah has made real strategic gains.

¶6. (C) PDAS Feltman agreed with the assessment, and said that it is very important to push back on Hizballah's attempts for more power, e.g. its insistence on veto powers. Zaki said that the Egyptian approach is to support Lebanese institutions, rather than confront Hizballah in an "offensive manner." He recognized that Hizballah is ultimately a promoter of an "Iranian agenda" and said that we need to help maintain the credibility of Lebanese, including within the March 8 opposition, that want a real state.

IRAN

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¶7. (C) Zaki said that the Egyptians do not intend to elevate their dialogue with Hizballah. He offered that we should "measure Egypt's position with Hizballah when analyzing Egypt's position with Iran"; the two are directly related. PDAS Feltman said that while we did not expect additional sanctions on Iran in the near term, UNSCR 1835 was in place and its passage seemed to have surprised Tehran. Nevertheless, Iran shows no signs of accepting the package of incentives set out by EU High Representative Solana. The IAEA report in November will further highlight Iran's failures. Zaki added that Egypt has two unresolved issues with Iran: harboring security threats and the symbolic

issues of "Islambouli Street" (named after Sadat's assassin) and a public mural in Islambouli's honor. Tehran continues to reach out to Egypt "with open hands," Zaki said. The Iranians have sought to separate the bilateral relationship from the security and symbolic issues. But Zaki said that these are conditions precedent to an elevation of diplomatic relations, and that Egypt will not compromise. However, if Tehran were to meet Egypt's conditions, Zaki's believed that Egypt would likely respond with an immediate upgrade in diplomatic relations. First on the agenda would be Iran's "regional performance," which Zaki said concerned Egypt on several fronts, e.g. Syria/Lebanon, Iraq, and Africa. Some within the MFA are very eager to engage Iran on these issues.

Zaki also noted that hardliners in the Iranian regime are trying to sabotage Iranian outreach to Egypt. He cited as evidence of internal Iranian discord the recent public spat with Tehran over the Iranian production of the film "Assassination of a Pharaoh," which the Iranian regime ultimately distanced itself from as a result of Egyptian protests. "We think ultimately an elevated relationship would be good, and we need ways to enhance moderates' status.

Opening up with Egypt would help. Which is why the hardliners are rejecting it," he said.

#### SYRIA

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¶ 8. (C) PDAS Feltman said that our position on Syria has not changed, although we have increased our contact in recent months due to the SARG's positive steps, e.g. on Lebanon and Iraq. Zaki said that policymakers in the region are watching the USG very closely for signs of an opening. He said that the potential for USG-Syria rapprochement appeared to be making both Hizballah and the Lebanese March 14 majority nervous. Zaki said that all of this is amplified by the USG transition; those who are already allied with the USG will seek to remain so, while others will try to improve their positions. In his opinion, USG "signals" are inevitably an introduction for something in the future, noting that progress on the Israeli-Syrian talks are an important factor

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in this calculus. "And this make us wonder where we should stand," Zaki said. (Note: In previous conversations, Zaki and MFA colleagues have argued that USG-Syria rapprochement would leave Egypt and Saudi Arabia isolated vis a vis Syria - see reftel A. End note).

¶ 9. (C) PDAS Feltman responded that it is important not to misconstrue our policy. It may be that a new administration will communicate differently with Damascus, but our interests will not change. Given the developments in Lebanon over the past several years, it is inconceivable that the USG would back away from full support for Lebanon's sovereignty. In addition, Syria's harboring of Palestinian groups and the issue of foreign fighters into Iraq will remain priorities. Zaki took the point, but responded that the Europeans are already embracing Syria, and Syrian FM Muallim would travel to London on Oct 28th, in a visit to be reciprocated by British FM Miliband in November. Zaki allowed that the British say they will deliver a tough message. Nevertheless, he concluded, "the levels and speeds are different, but the trend is there. We are not trying to halt this. But such moves affect the region, which is so very fragile. The political balance is very delicate. We're watching very closely."

#### IRAQI DEBT RELIEF

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¶ 10. (C) PDAS urged Egypt to work constructively and actively with the Government of Iraq to reduce Iraqi debt on Paris Club comparable terms; it is our understanding that Egypt agreed to the Iraq Compact in Sharm el-Sheikh in May 2007. Debt relief along these terms would further demonstrate Egypt's commitment to Iraq. Zaki responded that the Iraq

Compact was a "good document," but characterized it as "non-binding." He said that an Iraqi financial team had recently been to Cairo, but according to him had not presented satisfactory proposals. He noted that Egyptian worker remittances dated back to 1990, and that the Iraqis had proposed a 100 percent cancellation of interest on the \$408 million principal. He said that was a non-starter. On bi-national debts he was more hopeful that a solution could be found, but said that the Iraqi team "did not have clear ideas on how to proceed." Egypt is not trying to make it difficult for Iraq, but these are monies that have been owed for a long time, Zaki said. He encouraged the USG to talk to the Iraqis and suggest flexibility; if Egypt and Iraq can resolve this it would presumably set a useful precedent for Iraq when dealing with debt owed to Gulf states, which Zaki understood to be vast.

#### ISRAELI-PALESTINIAN CONFLICT

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¶11. (C) Zaki reported that Israeli President Peres had told President Mubarak earlier in the week that he "wants to give Livni a chance," and is not convinced that any other Israeli political leader is up to the job at the moment. Zaki believes Peres is on "excellent terms" with Livni, and won't undermine her. Zaki said that "registering progress" on the Israeli-Palestinian conflict is essential. "We do not want a repeat of 2000." There must be a way to get the international community to publicly witness the two sides' agreement to continue the negotiations and provide incentives for such a continuation. Zaki understood that the parties are operating with the principle that "nothing is agreed until everything is agreed," so registering progress will be tricky.

#### Global Financial Crisis

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¶12. (C) Zaki reiterated FM Aboul Gheit's request for Egyptian inclusion in fora to resolve the global financial crisis (reftel B). He argued that the crisis is "not exclusively economic," and that the solution will require the active participation of political and cultural leaders such as Egypt. He noted that Egypt has a world-wide diplomatic presence, something that augmented its case for inclusion. "We are not a 'bag of money.' We are eager to play a role, and we have ideas." He reiterated Egypt's desire to be included in the G-8 "outreach" group, which currently only includes South Africa from the continent. He said that the

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Europeans were supportive, and asked the USG to weigh in on Egypt's behalf. PDAS Feltman agreed that the crisis cannot be addressed by a small group of countries; we need to consider which countries and regions are most affected. The G-20 meeting in New York will be limited to those participants. But there will be other follow-on meetings, and we recognize that Egypt has a role to play.  
SCOBAY